

OIG Initiative to Identify and Seek Prosecution of Fraud

Pages 6-7

The OIG's 20 special agents and investigative managers were commissioned with full law enforcement authority under the Homeland Security Act as part of our initiative to identify and eradicate fraud affecting TVA programs and operations. Our efforts in this area include combining audit and investigative resources in an Inspections unit designed to operate under a task force model to seek out fraud. In addition, we have assigned investigators as "road agents" to serve as key contacts at specific TVA facilities in order to more effectively identify cases, become more familiar with TVA operations, and establish key business contacts. To better focus on fraud, we also are referring more administrative allegations, such as personnel issues, to management for resolution. While it will take time for this initiative to get off the ground, we expect that over the next two years our efforts will begin producing results and will serve as a strong deterrent against fraud.

Workers' Compensation Investigations Save TVA Over \$857,000

Page 24

Based on a computer match, we identified TVA workers' compensation recipients who had earnings substantially greater than their rated loss of wage earning capacity, including a store manager rated as a salesman trainee. We determined the claimants generally reported their correct earnings, but OWCP in several cases failed to adjust their benefits. To date, OWCP has terminated the compensation benefits for three claimants, resulting in a cost avoidance projected to exceed \$857,000.



Semiannual Report to the Congress

TVA Office of the Inspector General

October 1, 2003 ~ March 31, 2004



Highlights

Contract Audits Identify \$16 Million in Potential Savings

Pages 15-18

Information Technology Security Improves

Page 18

No Material Problems in TVA Financial Statements Audit

Page 19

Tritium Review Finds \$9 Million Undercharge

Page 20

Congressional Approval Sought for OIG Budget

Page 32

New Focus on Prosecuting Fraud

Pages 6-7

Workers' Compensation Investigations Save TVA \$857,000

Page 24



TVA Saves Money With OIG Contract Audits

Pages 15-16

Our contract and preaward audits identified \$16.6 million in potential savings opportunities. TVA management generally agreed with our findings and implemented our suggestions, including negotiating \$5.8 million in savings from our preawards and disallowing \$10 million in questioned costs.



Statistical Highlights October 1, 2003 ~ March 31, 2004

Audit Reports Issued	39
Questioned Costs	\$14,127,000
Funds Put to Better Use	\$11,904,000
Funds Recovered/Disallowed	\$11,150,000
Investigations Opened	162
Investigations Closed	76
Fines/Recoveries/Restitution/Savings	\$4,284,890
Criminal Actions	6
Administrative Actions (No. of Subjects)	75

TVA Improves IT Security

Page 18

While we identified weaknesses in logical and physical controls and contingency planning during audits of systems at four facilities and TVA's billing system, we also noted improvements in and an increased emphasis on incorporating security best practices and configuration standards as TVA implements new IT equipment. TVA has also improved its network monitoring process.



Financial Statements Audit Shows No Material Problems

Page 19

We found PricewaterhouseCoopers' audit of TVA's fiscal year 2003 financial statements, which rendered an unqualified opinion, was performed in accordance with Government Auditing Standards in all material respects.



Tritium Program Review Identifies Over \$9 Million in Undercharges

Page 20

Pursuant to an interagency agreement, the Department of Energy (DOE) reimburses TVA for the cost of services related to the production of tritium. Our audit found TVA was not recovering over \$9 million of its overhead costs. TVA management plans to take corrective action by charging for correct overhead costs and discussing the past underbillings with DOE in future negotiations.



OIG Budget Pending Before Congress

Page 32

The President's budget for fiscal year 2005 includes a separate appropriation account for the TVA OIG, to be funded by TVA. Having the OIG budget reviewed and approved by Congress like other OIGs would avoid any appearance of a lack of independence caused by the agency having unreviewable control over the OIG budget.